

THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 07-064

ORDER OF NOTICE

The New Hampshire Public Utilities Commission (Commission) opens this docket to investigate the merits of instituting, for electric utilities, appropriate rate mechanisms, such as revenue decoupling, which would have the effect of removing obstacles to, and encouraging investment in, energy efficiency. This investigation is consistent with the National Action Plan on Energy Efficiency (Action Plan) developed by the U.S. Department of Energy and the U.S. Environmental Protection Agency. The Action Plan, among other things, sets forth the recommendation to: “Modify policies to align utility incentives with the delivery of cost-effective energy efficiency and modify ratemaking practices to promote energy efficiency investments.”

Traditional cost-of-service ratemaking generally links a utility’s revenues and its opportunity to achieve its authorized rate of return to its sales of units of electricity, thus creating an incentive for utilities to sell more, not less, electricity. The expressed goal of revenue decoupling, however, is to weaken this link between sales and profitability. Given the ever increasing importance of energy conservation, energy efficiency and demand response programs, the purpose of which is to reduce the usage of electricity, and a consequence of which may be declining delivery revenues for utilities, it is imperative to examine the policy issues associated with decoupling and other possible approaches.

Revenue decoupling operates by severing, to some extent, a utility's cost recovery and profitability from sales volumes, usually by assuring some reasonable rate of return through a true-up mechanism. Using a decoupling rate-setting mechanism, the Commission could determine how much revenue a utility needs to cover its fixed costs, and set a rate to produce revenues to meet such costs. As a general rule, under a decoupling rate-setting mechanism, rates are "trued-up" on a periodic basis to provide utilities an opportunity to recover fixed costs regardless of sales volumes and, similarly, to return over-recovery of such fixed costs to ratepayers. A decoupling design could also include incentives to promote energy conservation, and mechanisms that reward and penalize a utility based on its performance.

At the outset, the Commission seeks an assessment of the evidence supporting the implementation of revenue decoupling or other appropriate mechanisms. The primary goal in this proceeding is to evaluate the applicability of such mechanisms. Useful in this regard is determining whether electric utilities have already experienced, or forecast future, declining sales which can be attributed to energy conservation, energy efficiency or demand response programs. The Commission will also seek comment as to whether it is advisable to implement revenue decoupling in general rate case filings, through a generic rulemaking, or some other approach. In addition, the Commission will seek responses to the following questions:

1. Should revenue decoupling normalize for weather, number of customers, economic conditions or other variables to minimize customer risk?
2. On what basis and at what intervals should approved revenue requirements be adjusted?
3. Should a revenue decoupling or other mechanism apply to all customer classes?
4. What circumstances should result in true-ups and should true-up occur by class, customers or some other elements?
5. How can rate volatility be minimized upon true-up?

6. What kind or degree of rate adjustment resulting from true-ups should require a rate proceeding before the Commission?
7. Should revenue decoupling include performance incentives/penalties in connection with policy goals such as reliability?
8. What mechanisms need to be in place to measure utilities' performance in meeting revenue decoupling policy and/or performance objectives?
9. Should revenues be linked to something other than sales on a class-specific or system-wide basis?
10. What alternatives are there (such as real time or critical peak pricing) to revenue decoupling which achieve similar policy goals?
11. Can customer education regarding rate design and energy efficiency complement the implementation of a revenue decoupling mechanism?
12. Would revenue decoupling or other appropriate mechanisms be considered alternative forms of regulation under RSA 374:3-a and, if so, should the Puc 206 rules concerning alternative regulation be amended?

In connection with this investigation, the Commission will solicit comment from utilities and interested parties regarding these questions and will consider other relevant issues that may be identified by participating parties.

The investigation raises, inter alia, issues related to whether rates developed pursuant to a revenue decoupling or other appropriate rate setting mechanism will be just and reasonable pursuant to RSA 378:5 and :7. Each party has the right to have an attorney represent them at their own expense.

Based upon the foregoing, it is hereby

ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on June 18, 2007 at 10:00 a.m., at which each party will provide a preliminary statement of its

position with regard to the petition and any of the issues set forth in N.H. Admin. Rule Puc 203.15 shall be considered; and it is

FURTHER ORDERED, that, immediately following the Prehearing Conference, interested parties, the Staff of the Commission and any Intervenors hold a Technical Session to commence discovery and establish a procedural schedule for this docket; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.12, the Executive Director of the Commission shall notify all persons desiring to be heard at this hearing by publishing a copy of this Order of Notice no later than May 21, 2007, in a newspaper with general circulation in the state, publication to be documented by affidavit filed with the Commission on or before June 18, 2007; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene, with copies sent the Office of the Consumer Advocate, on or before June 13, 2007, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before June 18, 2007; and it is

By order of the Public Utilities Commission of New Hampshire this fourteenth day of
May, 2007.

Debra A. Howland
Executive Director & Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-2429; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.